

Message Text

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UNCLAS SECTION 1 OF 2 SEOUL 9902

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SUBJECT: MARKET BRIEF: POTENTIAL FOR FLUID POWER EQUIPMENT
SALES IN KOREA

REF: USDOC 18550
MARSHALL-ZAMULA FONECON 7 DEC 76

1. KOREA'S NEED FOR FLUID POWER IS GROWING AT A FASTER RATE THAN THE REAL GNP GROWTH RATE WHICH IS PREDICTED TO BE 10 PERCENT FOR 1977. ROK GOVERNMENT PROGRAMS FORMULATED FOR THE FOURTH FIVE YEAR ECONOMIC DEVELOPMENT PLAN, 1977 THROUGH 1981, CALL FOR EIGNIFICANT UP-GRADING OF THE TECHNOLOGICAL CONTENT SUPPLIED BY LOCAL MANUFACTURERS. THIS NEED FOR ADVANCED TECHNOLOGY TOGETHER WITH THE EXPANSION OF THE MANUFACTURING AND PROCESSING INDUSTRIES AS WELL AS MINING AND CONSTRUCTION INDUSTRIES GROWTH, WILL PROVIDE IMPETUS FOR THE GROWTH OF THE KOREAN MARKET FOR FLUID POWER AND CONTROL SYSTEMS. THE MACHINERY AND PETRO-CHEMICAL INDUSTRIES WHICH HAVE EXPANDED GREATLY UNDER KOREAS HEAVY AND CHEMICAL INDUSTRIES DEVELOPMENT PLAN WILL ALSO REQUIRE SUBSTANTIAL INCREASES OF FLUID POWER EQUIPMENT.

2. THE TOTAL KOREAN MARKET FOR FLUID POWER AND CONTROL SYSTEMS FOR 1977 IS ESTIMATED AT \$37 MILLION. THE 1975 FLUIDPOWER MARKET WAS 32 PERCENT LARGER THAN THE 1974 MARKET, WHICH WAS ESTIMATED AT \$32.4 MILLION. JAPAN IS THE LEADING SUPPLIER OF KOREAN IMPORTS OF FLUID POWER EQUIPMENT. THE U.S. SHARE OF THE TOTAL MARKET WAS 20 PERCENT IN 1973 AND 28 PERCENT IN 1975 WHILE JAPAN HELD 64 PERCENT IN 1973 AND 56 PERCENT IN 1975.

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3. MAJOR END-USERS FOR HYDRAULIC COMPONENTS AND EQUIPMENT IN KOREA ARE THE SHIPBUILDING, HEAVY CONSTRUCTION EQUIPMENT MANUFACTURING, AUTOMOBILE, IRON AND STEEL AND PETRO-CHEMICAL INDUSTRIES. ALL OF THESE INDUSTRIES HAVE GROWN RAPIDLY AND ARE DESIGNATED FOR FUTURE EXPANSION. THE PRINCIPAL END-USERS OF PNEUMATIC EQUIPMENT ARE FERTILIZER, MINING, SHIP-BUILDING, IRON AND STEEL, AND FOOD PROCESSING AND PACKAGING INDUSTRIES. THE DEMAND OF THESE LATTER INDUSTRIES FOR FLUID POWER IS ALSO INCREASING. THE FOLLOWING TABLES INDICATE THE IMPORTS OF FLUID POWER EQUIPMENT BY BTN NUMBERS CONSTITUTING FLUID POWER. (ALL FIGURES IN US DOLLARS)

TABLE 1

BTN 8461 (SIC 71992) PNEUMATIC AND HYDRAULIC VALVES FOR POWER TRANSFER, INCLUDING

BTN 8461.11 (SIC 71992.11) PNEUMATIC VALVES, AUTOMATIC CONTROL TYPE,

8461.12 71992.12 HYDRAULIC PRESSURE VALVES, AUTOMATIC CONTROL TYPE,

8461.20 -1992.20 TAPS, COCKS, VALVES (PRESSURE REDUCING TYPE),

8461.30 71992.30 TAPS, COCKS, VALVES (OTHER THAN AUTOMATIC CONTROL TYPE & PRESSURE REDUCING TYPE).

	1975	1974	1973
JAPAN	10,124,689	10,476,430	3,704,610
W/GERMANY	357,289	1,036,272	648,455
UNITED KINGDOM	1,505,950	917,048	444,898
U.S.A.	2,501,181	1,079,897	1,334,547
FRANCE	50,648	7,802	85,789
OTHERS	218,061	205,335	115,740

TOTAL	14,757,818	13,722,784	6,334,039

TABLE II

BTN 8463.10 (SIC 71993.10) TRANSMISSION SHAFTS, CRANKS, GEARS, PULLEYS, ETC., AND SHAFT COUPLINGS FOR AIRCRAFT
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	1975	1974	1973
JAPAN	-	47,041	145,110
W/GERMANY	169	-	-
UNITED KINGDOM	11,865	5,312	439
U.S.A.	781,067	930,914	374,736
FRANCE	150,913	-	-

NETHERLANDS	4,442	38,345	1,835
OTHERS	-	1,708	-

TOTAL	948,456	1,023,320	522,120

TABLE III

BTN 8410.6X (SIC 71921) PNEUMATIC & HYDRAULIC PUMPS INCLUDING,
 LIQUID PUMPS, LINED WITH ANTI-ACID OR ANTI-ALKALINE SUBSTANCE,
 AND OF ALLOYS,
 TURBINE PUMPS, N.E.S.,
 GEAR PUMPS, N.E.S.,
 RECIPROCATING PUMPS, N.E.S., AND
 LIQUID PUMPS, N.E.S.

	1975	1974	1973
JAPAN	8,081,493	6,075,043	3,809,427
W/GERMANY	623,655	210,217	297,026
U.K.	1,187,217	1,315,401	228,264
U.S.A.	5,771,835	1,903,251	698,793
NORWAY	819,405	-	32,512
OTHERS	231,797	187,293	112,503

TOTAL	16,715,402	9,691,205	5,178,525

SOURCE: OFFICE OF CUSTOMS

4. MUCH OF THE DEVELOPMENT KOREAN INDUSTRIES HAS COME FROM
 U.S. TECHNOLOGY AND PRODUCTS WHICH HAVE DEMONSTRATED THE
 HIGHEST QUALITY AND RELIABILITY. KOREAN BUSINESSMEN IN MANU-
 FACTURING AND PROCESSING INDUSTRIES ARE CONSEQUENTLY RECEPTIVE
 TO U.S. TECHNOLOGY AND EQUIPMENT. LOCAL PRODUCTION OF FLUID
 POWER EQUIPMENT IS LIMITED TO APPROXIMATELY 20 SMALL SCALE
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MANUFACTURERS AND DOES NOT OFFER SERIOUS COMPETITION. FOR
 EXAMPLE, VALVE PRODUCTION IN KOREA IS MAINLY FOR BASIC WATER
 TYPE VALVES. THERE ARE APPROXIMATELY 6 MAJOR MANUFACTURERS
 OF VALVES. IN ADDITION THERE ARE OVER 20 CASTING FOUNDRIES
 THAT CAN MANUFACTURE ACCORDING TO SPECIAL REQUEST. LOCAL
 PRODUCTION BY TWO MANUFACTURERS OF VALVES IS LIMITED TO VALVES
 WITH CAPACITY OF 500 PSI FOR WATER AND 1000 PSI FOR HYDRAULICS.
 TABLE 4 INDICATES LOCAL PRODUCTION STATISTICS FOR SELECTED
 FLUID POWER EQUIPMENT AND TABLE 5 INDICATES IMPORTS OF THE
 SAME EQUIPMENT.

TABLE IV PRODUCTION (EACH)

1971	1972	1973	1974	1975
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WATER PUMPS	5,949	5,221	4,772	11,474	3,550
OTHER PUMPS	39,885	37,044	66,058	79,322	92,070
FANS AND BLOWERS	12,653	11,456	12,048	7,562	6,731
AIR COMPRESSORS	909	647	1,837	1,282	875

TABLE V IMPORTS (\$1,000)

HYDRAULIC PUMP	748	348	2,420	4,730	6,883
VACUUM PUMPS	380	305	462	1,310	877
AIR COMPRESSORS	6,478	8,925	6,121	14,553	19,266

SOURCE: MINISTRY OF COMMERCE AND INDUSTRY.

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5. THE FOLLOWING PRODUCTS HAVE BEEN IDENTIFIED AS BEST PROSPECTS
U.S. EXPORTS DURING THE NEXT THREE YEARS:

ACCUMULATORS
ACTUATORS, ROTARY
ACTUATORS; ISOLATORS, AIR BAG
VACUUM PUMP
COUPLINGS, QUICK-CONNECT
FLUID LOGIC
HYDRAULIC PUMP DRIVES
HYDRAULIC PUMP PARTS
HYDROSTATIC TRANSMISSIONS AND FLUID DRIVES
MOTORS, AIR ROTARY
MOTORS, ELECTROHYDRAULIC STEPPING
MOTORS, HYDRAULIC ROTARY
POWER UNITS
PNEUMATIC CONTROL SYSTEMS
PROTECTIVE CLOSURES - THREAD PROTECTORS, CAPS AND PLUGS
PUMPS

SEALS, SEAL MATERIALS SCRAPERS, BACK-UP RINGS, SEAL REPAIR KITS
SWITCHES, LIMIT & PRESSURE
VALVES
VALVE SPOOLS, BODIES & SOLENOIDS

6. FOR FURTHER INFORMATION ON POTENTIAL FIRMS FOR RECRUITMENT
SEE HYDRAULICS AND PNEUMATICS MAGAZINE, OCTOBER 1976 ISSUE,
PAGES 82 THROUGH 84, WHICH LISTS PARTICIPANTS FOR THE 1976
CLEVELAND, OHIO HYDRAULIC AND PNEUMATIC SHOW.

7. IN VIEW OF THIS PROMISING MARKET FOR SALES OF US FLUID
POWER EQUIPMENT, POST HIGHLY RECOMMENDS MOUNTING THE FLUID
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POWER TECHNICAL SALES SEMINAR IN SEOUL.
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